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SUBJECT: ANDORRA: FRENCH PRESSURE LEADS ANDORRA TO REDUCE BANK  
SECREC, PM TO ABANDON RE-ELECTION RACE

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1. (SBU) SUMMARY: Andorran Cap de Govern (Prime Minister-equivalent) Albert Pintat announced he was stepping down as the leader of his party amid accusations by French President Nicolas Sarkozy that the Andorran Government had failed to sufficiently modify the country's bank laws on transparency and get it off the OECD's tax haven blacklist. Sarkozy accused the Andorrans of preventing him from being able to effectively participate at the upcoming London economic summit because his position as co-head of state of Andorra was harming his credibility. Pintat, the clear frontrunner for head of government in upcoming national elections, announced March 12 that Andorra was negotiating with the OECD to draft new bank secrecy legislation that he pledged would be passed by November 2009. He simultaneously said he would step down as party leader and devote his time to full implementation of the law. The spat seriously compromised the position of Pintat's Liberal Party (PLA), which narrowly won power in the last election. PLA is on the defensive, and will be scrambling to find a new leader ahead of the upcoming April 26 general elections. The opposition Social Democratic party is now poised to win control of the next government for the first time ever. End Summary.  
Sarkozy Accusation Against Andorra

2. (SBU) Harsh words and cries of betrayal flew between Andorra and France last week when French President Nicolas Sarkozy went on TF1, French national television, and accused Andorra of stalling on legislation that would get the country off the OECD's tax haven blacklist. The issue of bank transparency and secrecy is expected to be one of several topics of discussion by world leaders at the upcoming London economic summit and was discussed at this weekend's preparatory meeting of finance ministers. (Note: Through a series of accords dating back to the 13th century, the French President along with the Spanish Bishop of Seu de Urgell are the co-Princes - nominal heads of State - of Andorra. End Note.) Sarkozy implied that his credibility would be on the line as the head of state of a country whose banking laws contravened international norms. As the London summit approaches, Spanish President Zapatero also has called for the end of tax havens, but press reports do not suggest that he played a role in the Andorran decision.

3. (SBU) Sarkozy reportedly gave the Andorran Government a deadline to remove itself from the list of tax havens. He suggested Andorra implement a temporary law that would assure the exchange of information in accordance with the standards set forth by the OECD. The French President warned Andorra of very serious actions that could be taken against the tiny mountainous

country if it did not change its ways.

#### GOA Reduces Bank Secrecy

¶4. (SBU) Sarkozy's accusations quickly spurred a normally slow moving Andorran government to respond immediately. On March 12, Andorran Cap de Govern (Prime Minister-equivalent) Albert Pintat committed the next Andorran government to passing legislation that would remove the country from the OECD's list. According to a press report that post was unable to confirm, Andorra's government posted a statement on its Web site declaring that Pintat had signed an accord with OECD officials in Paris in which the country pledged to abandon its bank secrecy law. In a separate statement, Pintat assured the OECD he would personally see to it that the new legislation was approved by September 1 and passed by November 15, 2009. Under the new law, Andorra would divulge information to other governments about companies that operate within its borders that are suspected of financial fraud. Andorra also pledged to sign its first bilateral agreements on financial information exchange with France, Spain, Portugal and Luxembourg. Nearly 80% of the deposits in Andorran banks are foreign, mostly French and Spanish.

#### Accusations Roil Parliamentary Elections

¶5. (SBU) Sarkozy's allegations had a chilling effect on Andorra's scheduled April 26 parliamentary elections. Liberal Party of Andorra (PLA) leader Albert Pintat, who was expected to seek another four-year parliamentary term, and continue as Cap de Govern, declined to seek re-election, leaving the field unexpectedly wide open. His announcement leaves the ruling party scrambling to find a replacement, and re-energizes the Social Democratic Party (PS), which came ever so close to winning control of the government in the last general election. Pintat, for his part, will reportedly step down to devote time to getting Andorra off the OECD blacklist, something he claimed he could not do while campaigning for office. He added that

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Andorra was already well on its way to modifying its laws appropriately. Behind the scenes, the PLA was stung by the public allegations from the French president.

¶6. (SBU) COMMENT: French President Sarkozy not only appears to have caught Andorran officials off guard, but has turned the usually quiet world of Andorran politics upside down. The Andorran government, which is much more used to years of deliberation before approving often vital legislation, was forced into quick action to avoid becoming the next international poster child for tax and banking shenanigans. The announcement of the accord with the OECD could go a long way towards satisfying the international community and allowing Sarkozy to continue pressing without embarrassment at the London summit for measures against tax havens.

¶7. (SBU) Comment cont. Much less clear is what will happen politically in Andorra when the smoke clears. Opposition Social Democratic (PS) party leaders joined smaller parties in circling the wagons around the Andorran government in a show of unity against a perceived slight by the French. The scheduled April 26 elections all but assure that show of unity will not last. The ruling PLA has suffered a serious blow to its image in this dustup, and the PS is now closer than ever to making history and winning control of the next government. End Comment.  
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